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C O N F I D E N T I A L LILONGWE 000709

SIPDIS

STATE FOR AF/S DAN MOZENA AND KENDRA GAITHER  
STATE FOR EB/IFD/ODF ELAINE JONES AND TED LYNG  
STATE FOR EB/IFD/OMA AUDU BESMER  
TREASURY FOR INTERNATIONAL AFFAIRS/AFRICA BEN CUSHMAN  
PARIS FOR D'ELIA

E.O. 12958: DECL: 08/17/2015

TAGS: [ECON](#) [EINV](#) [ECPS](#) [KPRV](#) [PGOV](#) [PREL](#) [MI](#)

SUBJECT: MALAWI TELECOM PRIVATIZATION ON HOLD

Classified By: ECONOFF W. TALIAFERRO FOR REASONS 1.4B/D

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SUMMARY  
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11. (C) The GOM has suspended the privatization of Malawi's parastatal telecommunications monopoly at the last moment. The privatization is a condition of two large World Bank programs in Malawi. The President apparently made the decision out of fear that the privatized company might sabotage state-run media outlets for political purposes. Embassy has expressed USG concern and recommends continued pressure through the World Bank and Malawian Embassy in Washington. End summary.

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SUDDEN SUSPENSION, WITH CONFUSED PUBLIC SIGNALS  
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12. (U) The Government has suspended the impending sale of Malawi Telecommunications Ltd. (MTL) at the last minute. GOM was scheduled to approve the sale on August 10, but instead it informally told the buyers and the Privatization Commission that the deal had been "suspended pending further clarification." On Monday, the Information Minister was quoted in the press as saying the deal had been cancelled outright, and that the GOM did not intend to privatize the company.

13. (U) The suspension has caused a stir in the diplomatic community, because the privatization is a condition for two World Bank programs with a total value of \$78 million. The negotiations for MTL's sale have been under way since 2000, and the MTL board has consistently opposed the sale. As might be expected, the sale is not popular with Malawian politicians, who generally oppose privatization.

14. (C) In recent conversations with the CEO of the main buyer, Press Corporation Ltd., members of the Privatization Commission, and the Minister of Finance, we have learned that the deal was suspended personally by President Bingu wa Mutharika for political reasons. Specifically, Mutharika fears that Press Corporation is sympathetic to former President Bakili Muluzi's United Democratic Front (UDF) party and will use the outstanding debts of the Malawi Broadcasting Corporation and Television Malawi as an excuse to unplug the state-controlled media and hobble the government's communications. Most informed observers find the political fear irrational, though the risk of putting a strategic utility into private hands is more widely shared.

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FINANCE MINISTER WORKING TO CLOSE THE DEAL  
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15. (C) Finance Minister Goodall Gondwe is negotiating with Press Corporation to accommodate the President's concerns, and he has proposed diluting the Press participation from 52 to less than 50 percent. He believes this can be done quickly, though others close to the deal doubt this. Another possibility is to pay the media outlets' debts with proceeds of the sale and offer the GOM a "golden share" veto over disconnections of state news media. As for the Information Minister's remarks, the Finance Minister has said the GOM is looking for a face-saving way to retract them. Meanwhile, he has indicated that World Bank and donor pressure on the issue would help to ensure speedy resolution.

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COMMENT AND RECOMMENDATION: CONTINUE PRESSURE  
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16. (C) Embassy has expressed our deep concerns over the delay in meetings with Gondwe and with the resident World Bank country manager. We recommend continued pressure on the World Bank, and perhaps on the Malawian Embassy, to ensure that the GOM does everything it can to move the deal along. This will certainly be of value to those within the GOM,

including Gondwe, who are arguing for quick closure. To the extent that the USG can reinforce Gondwe's representation to Mutharika that the world is expecting a transparent and rational process, it should strengthen his hand on this and similar issues in the future.

EASTHAM